

Message Text

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ACTION AGRE-00

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 1276

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PASS AGRICULTURE ASST SEC BELL; D.J. NOVOTNY, K. MUNRAY,
G&F/FCA

E.O. 11652: N/A

TAGS: EAGR, ETRD, CA

SUBJ: CANADA'S WHEAT EXPORT PRICING

REF: (A) STATE 230365; (B) NOVOTNY/MURRAY TELCONS WITH AGATT

1. AGATT CONVERSTIONS WITH GOC GRAINS GROUP REGARDING
CURRENT CWB SALES POLICY HAVE PRODUCED TRADITIONAL AND
EXPECTED ANSWERS I.E. THESE ARE NOT MATTERS OF CONCERN TO
GOC.

2. IN DISCUSSING QUESTION REGARDING DESTINATION LIMITATIONS
ON CANADIAN WHEAT SOLD IN RECENT MONTHS TO INTERNATIONAL
TRADERS, GRAINS GROUP QUESTIONED AGATT'S UNDERSTANDING THAT
CWB MADE ALL SALES DIRECTLY TO STATE TRADING MARKETS. GRAINS
GROUP SPOKESMAN STATED THAT WHILD CWB DOES EXERCISE ULTIMATE
CONTROL OVER DESTINATION, CWB WOULD PROBABLY ALLOW TRADE
TO SELL THE CANADIAN WHEAT THEY HAD PURCHASED WHEREVER THEY
FOUND A HOM FOR IT. HE ESTIMATED CWB SALES TO INTERNATIONAL
TRADERS AT MORE THAN TWO MILLION BUT LESS THAN 4 MILLION MT.

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3. AGATT CALLED ASSISTANT CHIEF COMMISSIONER CANADIAN WHEAT BOARD (CWB) AND WAS ADVISED THAT CWB MAKES ALL SALES TO STATE PURCHASING AGENCIES EXCEPT JAPAN. CWB HAS NO OTHER DESTINATION LIMITS ON WHEAT PURCHASED BY TRADERS EXCEPT IN CASES WHERE CREDIT IS INVOLVED IN WHICH CASE SALE MUST BE A NEW CONTRACT. COMMENT: AGATT DOUBTS THAT CWB IS OUT OF THE PICTURE WHEN JAPANESE FOOD AGENCY TENDERS ARE HELD.

4. CWB OFFICIAL ALSO STATED THEIR SALES POLICY WAS NO DIFFERENT FROM WHAT IT HAD BEEN 3 OR 4 YEARS AGO. IN PAST 2 TO 3 YEARS, SUPPLIES WERE SUCH THAT CWB HAD TO ALLOCATE SALES TO MARKETS BUT THAT THIS WAS NO LONGER NECESSARY.

5. WHEN ASKED IF CWB MADE RECENT SALES TO PHILIPPINES AND INDONESIA, OFFICIALS REPLY WAS NEGATIVE AND ADDED THAT CREDIT WAS NOT INVOLVED. AGATT STATED THAT HE UNDERSTOOD ONE INTERNATIONAL TRADER WAS ABOUT TO FINALIZE SALE OF CANADIAN WHEAT TO INDONESIA WHEN CWB STEPPED IN WITH DIRECT SALE. THIS WAS CATEGORICALLY DENIED.

6. CWB OFFICIAL EXPRESSED CONCERN OVER PUBLIC STATEMENTS MADE TO PRESS BY USDA OFFICIALS REGARDING CWB SALES POLICY. CATEGORICALLY DENIED ANY SALES AT 10 TO 15 CENTS BELOW CWB ANNOUNCED PRICE. HE ACKNOWLEDGED THAT IN INSTANCES WHEN MARKET WAS DECLINING CWB MAY HAVE SOLD AT 2 TO 3 CENTS UNDER BOARD PRICE. WHEN PRESSED AS TO CURRENT SALES PRICES VIS-A-VIS BOARD PRICES, OFFICIAL STATED QUOTE: WE'RE NOT GOING TO TELL YOU THAT UNQUOTE. COMMENT: IT IS INTERESTING TO NOTE THAT CWB OFFICIAL DID NOT REPORT NOT STATE THAT BOARD PRICE AND SALES PRICES WERE ONE AND THE SAME.

7. REGARDING POSSIBILITY THAT CANADIAN WHEAT PURCHASED BY INTERNATIONAL FIRMS COULD BE SOLD IN U.S. MARKET, CWB OFFICIAL STATED THEY HAD NO LIMITATION ON THE U.S. AS A DESTINATION. HE ADDED THAT THIS SEEMED UNLIKELY CONSIDERING DUTY OF 21 CENTS PER BUSHEL AND DIFFERENCE IN EXCHANGE RATES. HE DID HOWEVER AGREE THAT INTERNATIONAL FIRMS WHO LIMITED OFFICIAL USE

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WERE LONG ON CANADIAN WHEAT WERE HAVING TROUBLE MAKING SALES.

8. CWB OFFICIAL ALSO STATED HE WAS ANNOYED AT OUR INTERFERENCE WITH THEIR BUSINESS.
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